



“Can Fin Homes Limited Conference Call”



SPEAKER:

**MR. SURESH IYER – MANAGING DIRECTOR, CHIEF
EXECUTIVE OFFICER & DIRECTOR, CAN FIN HOMES
LIMITED**

- Moderator:** How do you see the demand on the ground right now, because we see relative kind of slowing down across a lot of states in the data sense?
- Suresh Iyer:** No, I agree. But for us, at least with the sales team now, we see more of inquiries, we see the DSAs also, we are launching campaigns and all so that we can get the business. And so for us, it is not, we're not at least feeling that kind of, getting that kind of a sense. All states are doing a little better, North and West and Tamil Nadu, and this continues to grow at 25% plus East. And by end of this third quarter, our Karnataka also should become positive, YTD positive. And Telangana will take a little longer, but at least the last two years, we've been able to consistently maintain more than Rs. 100 crore disbursement from Telangana also. So that's the kind of thing. So barring Telangana where it is still a little slow, we don't get the same kind of feeling.
- Interviewer:** Are you getting market share?
- Suresh Iyer:** Possible, because now our numbers also, if you see consistently for the last 4-5 months, we've been able to do 800 plus, which used to be earlier 650, kind of.
- Interviewer:** Sir, of this Rs. 2,500 crores plus, approximately disbursements, how much would be primary sales? I mean, new launches, how would it be secondary transactions?
- Suresh Iyer:** Secondary transactions, we don't have a BT in strategy and we don't have much, but to some extent, yes, to some extent, Karnataka, our slightly mortgages and everything and some BTs probably have increased because obviously with this E-Khata issue, we still have to push for numbers. So our boys are, have increased a little bit of LAP and a little bit of takeovers, but other than that, by and large, we are still focusing on the new construction or the 61% of our business is new construction, plot plus construction business.
- Interviewer:** And second is, when it is a resale of property and when you come up?
- Suresh Iyer:** So 61% of course is composite loan, so it is PP plus C, so they purchase the plot and then do the construction, so it cannot be. Again, so the remaining one, we will have to see how much is the resale and how much is the, I mean the second sale and how much is the fresh sale.
- Interviewer:** Resale?
- Suresh Iyer:** Yes.
- Interviewer:** So in the market, I also picked up some interesting business models that people are doing, that you fund a very small builder with say 1-2 crore, so land will be like 3-4 crore, you make a 1 crore G plus two fee structure. So you fund the builder for that 1 crore, land you have for 3 crores, so you are basically taking care of 30%-40% of the land, and once the builder sells the house, you get a take-out from that and that converts to a home loan. How prevalent should this practice be?

- Suresh Iyer:** See, you are talking about, basically the land is already owned by the customer or the builder when he is doing the construction. So we do have a lot of cases where the customer would build in the, would already be there, why builder, it could be a customer also having their own land and then doing the construction. So we have a separate thing called only construction and plotless construction. So the only construction means the land is already owned by the customer, they bring that in as the margin or whatever, and there we can do up to 100% of the construction cost we can start, because the land has already been brought in as the margin. But if you fund the land, then it will be a plot loan, or else it will be a LAP, because it is not going for a purchase or anything, which normally doesn't happen for us. But yes, we do have a lot of cases where customer brings in the land, it is only construction.
- Interviewer:** We have 6%-7%.
- Suresh Iyer:** No, that is the construction, including the, it is not separate, we don't have that. Composite and only construction, they are two separate products, but here it is shown.
- Interviewer:** This is something that builders are also getting funded this way, very small local media builder does that.
- Suresh Iyer:** No, we don't get into that.
- Interviewer:** Sir, you have said that builders are also being funded.
- Suresh Iyer:** No.
- Interviewer:** And apart from that, sir, this quarter is like as a test for you, given you are doing IT implementation.
- Suresh Iyer:** No, IT implementation, actually, there is a slight change. When we went in for the earnings call, we said it was scheduled on first week of December, but the vendor has a little more than the expected amount of customization. So, they require a little more time, so it will go into January. So, instead of Rs. 2,500 crores, we are pushing for Rs. 2,800 crores in this quarter. So, that is one change in terms of that. So, it will go into the first fortnight of January where the implementation will happen.
- Interviewer:** Sir, how do we expect the Q4 quarter to be a bit more because of this implementation?
- Suresh Iyer:** So, normally, yes, we would have done a little more, we could have done a little more, but we are looking, seeing that we will do about 3,200. If this kind of a trend continues, then we should be able to do 3,500, otherwise we would do 3,200, some bit of in Q4 quarter.
- Interviewer:** How long will this implementation take? See, we are looking at the UAT starting from 7th, 7th that is they are expected to give the first delivery and then the UAT. So, the entire delivery,

everything will happen by, for testing and everything by in December itself. So, we are looking at implementation on the 19th of January is the date as such for implementation and then maybe another 15-20 days for seeing how it takes place.

Interviewer: During the UAT phase, there should not be a problem?

Suresh Iyer: No, we will have, we have a separate team. Only thing is we are pulling out a team of 20 odd people from branches, additionally over and above the team that we already have in the head office, we are pulling out another 20 people. So, only that will be the impact on the branches till December and some bit of a training that may start in December.

Interviewer: So, initially, the new technology was supposed to get implemented in the first week of December, that gets dropped off, pushed out to say 19th of January.

Suresh Iyer: Yes. So, the entire load that was there.

Interviewer: But phased out.

Suresh Iyer: Yes.

Interviewer: So, you are saying mostly one month impact on the first week of December.

Suresh Iyer: No. What we are saying is the, instead of, it happening on 1st of December, the entire implementation will happen. So, only when the implementation happens, the branches will be impacted. So, December, we will get a time to which otherwise would have gone, might have been impacted because of implementation. We will get for business. So, we are increasing the business target for the Q3.

Interviewer: But before Q4, if I got that, instead of 3,500, you said probably 3,200 crores of disbursements. So, this Rs. 300 crores, how did you get to that?

Suresh Iyer: I mean, how did we get to that is basically we are saying we will have a little bit of impact would be there, could be about a week or so.

Interviewer: Basically, we will need to train the entire sales team?

Suresh Iyer: Training will start in December itself. That was anyway not going to change. But once it is implemented, there will be a little bit of parallel run.

Interviewer: So, basically the process in terms of inputting the data and the files and such thing, that will change the whole thing?

- Suresh Iyer:** No. Obviously, the UI/UX change, there will be a little bit on learning from the old package, the new package, the new path and everything. So, all those things will take a little bit of impact. And maybe there will be about two days of downtime. Although what we have planned is, we will try to utilize the maximum, which is the Saturday, Sunday, which is a holiday, plus maybe two more days. So, that is why we have, you know, planned for only two days, maybe max downtime, plus this whatever teething issues, unlearning and things like that.
- Interviewer:** And what should we think about the team? What are you going to do in January? How should we plan?
- Suresh Iyer:** I mean, so far we have had all the governance meetings and all. We are not looking at any major impact. What our, our FSDs and everything process is already over. The vendor has also done the entire impact.
- Interviewer:** No, I meant your extensions.
- Suresh Iyer:** My extension, that I think we have already, that comes in March. That is in March. That is why I took January was implementation. And I think we are already initiated the process.
- M2:** It is already in motion and then very shortly it will be placed over the board.
- Interviewer:** And we should have an information by end of this month or something like that?
- Suresh Iyer:** Not end of this month, probably in December. When the board next meets, will decide on it. I think somewhere in December is when we will be able to, at least the board will clear, then it will be subject to RBI approval, then the circular resolution.
- Interviewer:** Sir, how is the competitive dynamic shaping up?
- Suresh Iyer:** These are main PSU banks. PSU banks, not, still not as much to be very frank. But LIC, yes, because I think they have dropped their rates to 7.5. They are looking at a very aggressive pitch.
- Interviewer:** LIC is very aggressive, is it?
- Suresh Iyer:** LIC Housing Finance, yes. 7.5, they have offered. So, to some extent across branches, there is some impact. Whenever, if you ask most of the brands, they will say LIC, of course, is the main, you see.
- Interviewer:** They are poaching our customers.
- Suresh Iyer:** A little bit, I am sure. Yes, because our prepayments have gone up. But I do not think, but yes, there is a definite impact in terms of competitive intensity, the push and plus, it is a little bit of. Our prepayments have also gone up in this quarter by about Rs. 120 crores closures. Q2 our loan

closures have gone up by about, like normally in Q1, our total loan closures were about 269.73 crore was the number.

Interviewer: Q1. Loan closures, and that has gone up to around 380 plus.

Interviewer: Sorry, how much was the Q1 number?

Suresh Iyer: 269.73

Interviewer: And how much of the 269 was prepayment?

Suresh Iyer: These are all loan closures, prepayments is extra.

Interviewer: Sir, this is proper loan closures.

Suresh Iyer: Loan closures, where the loan is no more with us. So, if you look at, 31st of March and 30th of June, then about Rs. 269 crore worth of loans are not there. So, opening in March, which is not there in, which is completely closed in June. Same way, the 1st of July balance, if you look at it, then not there in 30th of September is about 380.

Interviewer: No, but do you capture BT? BT has special thing, right, that if there are documents have to go towards that.

Suresh Iyer: Yes, yes, but I am saying this is a totally, I am assuming that the entire thing is also BT, that is what I am assuming because...

Interviewer: The 269 you are assuming is BT was BT in Q1, now it is 380.

Suresh Iyer: Yes. Because there is another and a small component where customers saying we are paying some money, but that is not a very large amount, where customers say, yes, we are closing from our own funds, that is different, but it is not a big amount.

Interviewer: And this is more customers at the top end or is it like what kind of customers are expected?

Suresh Iyer: That is not coming out very clearly as to whether there no trend is coming out, but what trend is coming out is that these are customers who are more in or a sizable number of that is actually annual reset cases. We still have, so basically we are intimating them to convert to quarterly reset and all, but either they are not pushing that or maybe they have not received or whatever. So, this couple of quarters, one of the things we are going to do is this quarter in the next is try to physically whatever contact phone, contact the customers and actually inform them, educate them about this quarterly reset option, where they get some rate benefit also and then convert them.

Interviewer: So, this rate will be 9.5, the 7.5 that LIC is offering.

Suresh Iyer: 8.7 is the best rate that we are offering.

Interviewer: And for customer to not take an annual reset, that will be higher, 8.7 is your current best rate, current.

Suresh Iyer: Yes.

Interviewer: It would be higher for the older.

Suresh Iyer: For them, it would be the rate that they have taken, which now they will have to come down. 25 basis points is what we have passed down. So, there will be a 25 basis points.

Interviewer: Sir, I need to figure out that you can see your yields are around 10%, that is what you report, 10.1% on a mix of I think 85% more, your housing LAP is much lower, 85% more.

Suresh Iyer: 86-14, yes.

Interviewer: So, in this mix, if let us say a bank were operating with a similar mix, ticket size will be higher. What does a bank's yield look like on a blended basis?

Suresh Iyer: Today, the banks, PSU banks, all of them have offered at, they have a same rate and whenever the repo has been cut, they have had to pass on to all their customers.

Interviewer: So, on average, if we have come down 25 bps, they would have come down 100 bps.

Suresh Iyer: No, they were, when we were at actually 8.95, then SBI was operating at 8.4. So, that 8.4 has come down to 7.4 or 8.95 has come down to the 8.7, the best rate kind of customer. And then every customer, the same kind of.

Interviewer: But how away is a portfolio of a bank versus yours on yields? You do not have the requirement to pass down all PLR. So, you are doing 25, you can say selectively, I am only doing it for newer customers, not older customers. You reset the spread instead of resetting your PLR. But I think you reset the PLR.

Suresh Iyer: We have reset for all our customers.

Interviewer: Eventually, 25 bps should pass down to across all. So far, the PLR reset, PLR reset activity is how much?

Suresh Iyer: 25 bps. That is it. And another 10 bps, we are likely to do in the next one month.

Interviewer: That is basically you are limiting your cost?

Suresh Iyer: Yes, because our business has come down from 7.55 in March to 7.17. So, it is about 38 bps. We have passed down 25, another 10 is due, which we will pass on to our customers.

Interviewer: But you are not aligning it with repo cuts.

Suresh Iyer: We cannot, because not our entire book is linked to.

Interviewer: That is right, but you compete in the EBITDA market, right?

Suresh Iyer: Not exactly, because as I said that banks are not the ones who are actually in the same segment that we are.

Interviewer: But if, for example, LIC is struggling to go because of the banks, and then LIC might move to your customers, right?

Suresh Iyer: They are there in most of the places where we are there. They are there.

Interviewer: How different is their customer versus yours?

Suresh Iyer: Because on the call, they said that they have a problem with banks. So, their customers, their ticket size would be higher, but they are also less. They have a much higher penetration with developers and stuff like that. So, obviously, their ticket size is higher. Therefore, they are directly competing with banks. We are a tad lower because our ticket size is just 25 lakhs.

Interviewer: On the incremental book. And on average, you reach 29 lakhs.

Suresh Iyer: No. Earlier the 22 was also incremental only. If you look at the book, outstanding book, outstanding book is lower than that. It is still low.

Interviewer: And so, how do you see this development now that this **(Inaudible) 16:54** is gone? So, like that overhang is gone, but now that should also imply that any other bank should be able to start an HFC, right?

Suresh Iyer: Who is left to start an HFC? Almost everybody already is having an HFC. The bigger banks, everybody has.

Interviewer: You don't see HFC as competition.

Interviewer: But in terms of growth, like trajectory from here. So, after you joined, like Rs. 900 crore was like one target that we were all sort of looking at, that monthly disbursement rate and then there was some issues along the journey. And now you are finally there. From here, next, what is the next target? Three year or like how do you think this will be?

- Suresh Iyer:** I think a consistent 20% disbursement growth target is there. Is what we should be definitely now. 20% disbursement growth target. And frankly speaking, today the capacity that we built in is already for one year in advance. Today the capacity that we have built in the system in terms of the staffing is already can handle up to Rs. 12,500 crores to Rs. 13,000 crores.
- Interviewer:** Like you are saying that all the building blocks are already in place?
- Suresh Iyer:** Kind of. And now once this happens, the IT transformation, we should be able to relieve some of the staff and move them into sales. So, eventually, our sales team, which is now about 90 odd people and they are contributing about 8%-8.5% of the incremental business. That we should be able to take it up to about 250 in the next two years, sales staff.
- Interviewer:** From 90 people to 250 people. That is almost 1 per branch. That is the target. In every branch is doing sales. But right now, there will be like 4 people per branch. They do everything.
- Suresh Iyer:** They do everything. And in some of the branches, larger branches particularly, we have identified specific people for sales.
- Interviewer:** So, when you have excess people, you just said, okay, this guy will only do sales.
- Suresh Iyer:** No, so we, as I said, we have built the capacity. So, this year also, we actually took an extra approval from the board for recruiting about 130 odd people. Some of it for the existing businesses and departments and some for, with a clear vision that they will be for sales. 187 actually. 187 total staff, some for sales, some for other business and all.
- Interviewer:** Sir, if I think of the ROEs that we make, right, I mean the ROA is 2.2%-2.3% and then the ROEs last quarter before this were at 19%. Do you think we can shave some of this off in favor of higher growth? Or do you think we won't need to do that?
- Suresh Iyer:** No, we can, in fact, like today the same ROA of 2.2-2.3 and we increase it here into 7.5 because consistently our gearing has been coming down, whereas it's not, I mean we don't need to actually because rating agencies are also okay with the 8 times gearing for our kind of a thing. So, we can actually have increased our gearing and look at improving our ROA. Once the growth picks up, we will obviously do that. Right now what is happening is the yields and NIMs are not good, so our ROAs are good and growth is still much lower. So, that's why our gearing is coming down. But once the growth is back, 20% disbursement growth and AUM growth of 15% and obviously we will, 17%-17.5% ROA to 20% dividend payout ratio, means obviously we will then be slowly having to increase our gearing.
- Interviewer:** And how do we think of OpEx, sir? Any scope to build it up because we will have many employees and higher cost, right? So, how does that work?
- Suresh Iyer:** No, that is not a major cost.

Interviewer: That is okay. And the IT costs will be increasing and settling into the OpEx item or will just **21:24** ?

Suresh Iyer: No, there will be an increase in the next year once the entire thing hits, about 1% cost to income ratio. Then obviously since that is not going to increase because that's something which has been factored for the full project tenure of the Rs. 300 crore. So, obviously that over a period will, as the denominator grows, will kind of keep coming down.

Interviewer: From a regulatory perspective, like not the, the group entity, but otherwise from an NHB perspective, is there anything which is likely to come or, because we had a couple of them in the last 12 months, right, where charging of interest, some sanctions and these kind of things?

Suresh Iyer: Nothing. In fact, one which actually impacted us among all of them, there was only basically one which was other than, of course, the overlap of business, but there was only one which was in terms of the excess amount, excess EMI or addition amount you have to give credit. Because of which our SMA-0 went up, but we have arrested that it started coming down again. That has now been a process change has already happened. That was the only one majorly impacted us. Other than that, there are charges and insurance and all those things which is not majorly affecting us. Our insurance tie-up is only 37% attachment, 37%-40% attachment. It's not a major concern. Charges we don't, in fact, our charges are the lowest. So, our non-interest income is the lowest in the industry. Charges are also not that way, any major charges are there.

Interviewer: And then our affordable housing companies, we are constantly seeing even in some MSME, small-ticket LAP players, we've constantly seen an inch-up of 1 plus DPD, bounce rate. And somehow the commentary that we keep getting from them is, no, it got arrested or there is a stress, but it gets capped at a level you are able to hold back. Is there anything you see in your segments or that's completely different?

Suresh Iyer: Our delinquency has been coming down. Three quarters in a row, it has come down. And this quarter also, we expected to bring it down by about Rs. 100 odd crores. So, credit cost in QC also may not be much.

Interviewer: And then how should we think of productivity? Like, your DSA share is still at 79 and you want direct sales to go up. So, how will this work and how will we see it? I mean, so, we can just calculate productivity, why tickets rise and we can calculate number of files executed, disburse per employee or something, some metric we make. So, how do you see this productivity going up? Because I think people you are adding.

Suresh Iyer: That is correct. So, because we have been adding people and building capacities, so today, in that sense, it has been a little kind of static throughout for us. Although the number of incremental cases that we booked has been slightly increasing year-on-year. But still, the productivity has not or probably would only have marginally come down only it has not improved. But there is a scope to improve. And there are quite a few branches we are working

on wherein the productivity levels are low. Like normally, if you see the Company as a whole, we are doing about 5 cases per staff per month in terms of the field staff, excluding the head of the staff. So, that number, if you look at it, there are some obviously who are kind of 3 and below also, where we want to, we have a scope to further improve and push it. Those who are already at 6 and 7, I think that is ideal. We would not want to kind of push them more. And in fact, that pushing them more would only be adding risk. So, in fact, 5 to 6 is an ideal number. Then the ones which are doing at 3 and below, that is where we need to push and we are working on those kind of branches. And we will give them some time in the past, like 2 years back and last year also, we actually closed on some of the branches of productivity and business and all was quite less. If it comes to that, we will even look at that and reallocate this.

Interviewer: How should I think about the repayment rates? That is something that I was a bit surprised when you said most of 260 is actually all repayment meeting?

Suresh Iyer: But Rs. 260 crore in a quarter and when if you look at it Rs. 380 crore, then also it comes to about 1500 in a year. 1500 in a year is about 4% or something. Its actual closure and BT out is about 4%.

Interviewer: Closure is how much?

Suresh Iyer: Closure is, I mean say BT out and everything is 4% totally. And then there is a 8% or something which is a part repayment, which is a bigger chunk actually for us.

Interviewer: 8% is part repayment?

Suresh Iyer: Yes, the part repayment, excess amounts, anything that is there which is coming is adjusted to the principle. So, all those things are also increasing. Our monthly if you look at our collections, looking at the 10% rate of interest, you should say Rs. 38,000 crore book. Monthly our collection should be Rs. 400 crores to Rs. 425 crores. But monthly our collections is somewhere in the range of about Rs. 700 crores to Rs. 800 crores. So, obviously there is excess amount coming, customers paying more than the EMI, paying more than our payments.

Interviewer: Sir, why are we keeping ECL cover so high at 45% and then we are seeing an affordable housing finances at 25-30?

Suresh Iyer: So, earlier also we have discussed it. Basically, it is all assumptions like what are the kind of assumptions in terms of primary of, like one of the critical observations or assumptions would be in how many years once an account turns into NPA, what is the tenure in which you will completely recover it. Now, in our case, we have said it is a little higher, we have kept. If somebody says in 2 years I will recover it, then that is a different thing. And some of the companies, they have a policy of 2-year write-off. Once an account remains in NPA for 2 years, then they will write it off. So, therefore, they will say that my tenure is 2 years. The moment you crash that tenure, the assumption completely comes down. So, these are all assumptions based.

Interviewer: Sir, now that we see this non-housing is going up, any plans to get into the affordable segment, whatever he is talking about?

Suresh Iyer: But the growth is not supporting it because the growth is actually coming down. If you look at it, it is sub-10 now. Sub-10 in terms for the affordable segment. If it is affordable mid and prime, affordable is sub-10.

Interviewer: You are saying the entire category, growth is 10%.

Suresh Iyer: Below 10% for affordable.

Interviewer: Disbursement?

Suresh Iyer: Yes. That is what even the rating agencies, I mean this credit information bureaus are all, the data that they compile, that is the data clearly.

Interviewer: But how the data, so 10% is affordable housing?

Suresh Iyer: Like last year, if the total new business booked, I mean they will look at the total business booked against the closure and this thing. So, there if you look at the growth, the AUM growth is less than 10% only.

Interviewer: But we did not take BTs from affordable housing.

Suresh Iyer: So, that way your disbursement will grow but the book will not grow. If you are somebody, you are taking out somebody, somebody is taking out your loan also, that way that is how it is eventually.

Interviewer: I do not expect an affordable financier to take business from you.

Suresh Iyer: That is correct.

Interviewer: Unless he is going some...

Suresh Iyer: But if the premise is that they have given purely on assessed income or surrogate income proof, then obviously that segment will not be able to, we cannot even take over that one because the income will not fall, the customer will not fall into our policies.

Interviewer: But you are not planning to go into that segment?

Suresh Iyer: No.

Interviewer: What is your view on the other players, like PNB and all those people?

- Suresh Iyer:** See, at Gruh, it took us 15 years to build a Rs. 5,000 crore affordable housing book. So, in 2 years to do Rs. 6,000 crores, I mean, it is running too fast. I mean, I would definitely feel it is not so easy that too considering that the overall industry growth is coming down, there are no government incentives and so supply is always going to be a problem.
- Interviewer:** Growth is coming down because there is not enough houses or is it?
- Suresh Iyer:** So whenever, so there are no major, so either this segment, today you look at even places like Sangli, Satara, Satara is a bigger town as Sangli, Karad, you look at Chandrapur, any such place, there also if you look at a small 600 square feet plot and a small house the person is constructing, it will be 25-30 lakh kind of a cost. So, sub 15 lakh segment is something which is not happening nowadays as much.
- Interviewer:** Sorry, are you saying basically affordable are 25 lakhs?
- Suresh Iyer:** Yes, so today if you look at affordable, maybe you can say 20 lakh, up to 20 lakh or 25 lakh is affordable.
- Interviewer:** Ticket size is increasing.
- Suresh Iyer:** Ticket size is increasing.
- Interviewer:** And so the next bucket, affordable is going to happen, bucket is growing faster, right?
- Suresh Iyer:** So, for us it is 30-50 which is actually where the growth is coming.
- Interviewer:** And this bucket will be growing in what way?
- Suresh Iyer:** We have it in our presentation also that how much is the incremental disbursement. So, in terms of incremental disbursement today, more than 30 lakh was earlier 38% of our incremental disbursements in H1 FY'25 which is now 43%. Whereas if you look at 20 to 30 lakhs, it has come down from 28% to 27%, 10 to 20 has come down from 22 to 21 and 0 to 10 has also come down from 12% to 10%.
- Interviewer:** Which could be you are moving up the ticket size, right? This is your...
- Suresh Iyer:** This is our, basically, yes. So, I would say about 20 to 35 or 20 to 30 or 15 to 30 would be the now kind of--.
- Interviewer:** Are you saying that as tickets and deals are lost for the affordable housing? Because they will not be able to capture it, right?
- Suresh Iyer:** No, I am saying so, how you define that affordable, I do not know what...

Interviewer: There is no definition.

Suresh Iyer: There is no definition. But today if you look at the presentation, the Rs. 6,500 crore that PNB is talking about, 14% of that is having a ticket size more than 35 lakhs. So, the definition or what they classify as affordable in that 6,500 is...

Interviewer: Sir, I am not asking about PNB specifically, but when you say affordable housing growth has come down to 10%, from what I am saying, this is because the ticket size is increasing. But as the ticket size is increasing, it is only beneficial for everyone, right? Because along with volume, you also have value growth you will also have value.

Suresh Iyer: That is correct. But then you will have to, everybody will have to move up the ticket size ladder. That is what I am saying. So, the real 15 lakhs below 15 lakhs or what people call as the real small ticket where many of the players are doing below 15 lakhs, there in fact the size itself of the market is going down.

Interviewer: How do you think about what proportion of book should be a disbursement? Is Rs. 10,000 crores good enough for a Rs. 40,000 crore book?

Suresh Iyer: See, 20% growth, even 15% growth in a year, if you are looking at, okay, and our rundown is around 16%, so clearly we have to do about 36% of our book has to be the annual disbursement. We have to reverse that, that is as simple as that. So, yes, 32%, 16 plus 16, I mean, 16 plus 15, 31. So, 40,000 and then we will have to do 12,000 plus.

Interviewer: How do we bridge it, sir?

Suresh Iyer: Next year we will, this year we will be around Rs. 42,000 crores-Rs. 43,000 crores will be our closing book. So, next year we will have to go Rs. 12,500 crores to Rs. 13,000 crores.

Interviewer: The rundown is very meaningful.

Suresh Iyer: We are still the lowest, if you look at that, we are disclosing the numbers quarter-on-quarter. But it is a simple math.

Interviewer: Even HDFC is like is 14%, seven year loan.

Interviewer: No, pre-payment, assuming 7-year loan, it is about one-seventh of the book. I will just read the math, sir.

Interviewer: So, 14% overall then also.

Suresh Iyer: No, it is not just one year. Repayment rate, just put us a few numbers. Repayment rate is typically, on a matured book looks like 15%-16%. Even just, assuming 7-year.

Interviewer: 7, ours is closer to a little more than 8. And, but still we are experiencing something like 15%.

Suresh Iyer: Now it is 16% because otherwise it used to be around 15%. Now, last year it was around 15%. This year, it is a little higher.

Interviewer: I was just thinking also, BT outs, are they increasing because people are in this, some stressing system elsewhere. There is some higher BT that you are seeing. What is your sense of that? Could I ever be in it, rest of the people are doing it?

Suresh Iyer: No, I would not say that ever. Somebody else also then has to take that book, which shows a default in your CIBIL. I do not think that is something.

Interviewer: That practice of cohort based, I mean, coterie lenders passing the parcel, that is not happening.

Suresh Iyer: Right.

Interviewer: You might be able to offer it to an informal lender. Possible. We will take it at a higher yield.

Suresh Iyer: See, if you are simply monitoring any spot and disbursement in any specific branch, then somebody who has local sanctioning power may do it. But if you are monitoring the spot in business, then automatically it will get caught. And now though, in fact, very clearly we have policies at about 6, in fact, we are also seeing 84% of our customers are having a CIBIL score of 700 and above. So, that clearly, I mean, if there was any default. And the same thing is everybody can see that.

Interviewer: 700 and above?

Suresh Iyer: Is it a good enough score? 700 is a medium.

Suresh Iyer: 725 plus is anyway good. That is what even CIBIL says.

Interviewer: On the ground, sir, do you see any risk-taking increasing in terms of valuation being wrongly done, inflated? Are you seeing some title being compromised in the market? How do you control it for your companies?

Suresh Iyer: See, we have this credit review monitoring department, which looks at all the cases. So, that definitely we are having that. We will set up in '23. I mean, we had in 2020 but they were, the department was doing only for those branches where sanctioning power was not there. But then we expanded the scope and said this department will do for all cases. Now, it is all.

Interviewer: And earlier, it used to be just a second check. Now, it is become a...

- Suresh Iyer:** Now also, in fact, the branches only have sanctioning power. They do it, but they are now almost immediately doing it. 100% of the cases they are doing it. That is one thing. Second, see, in case of valuation, what we have done is we have also tied up with Velocity. So, at least we get some, we are able to have a uniform system of matching. Plus, the NHB has come out with a guideline similar to RBI saying that you have to go by the realizable value in case of. So, market value based lending is not there. It is realizable value that you have to look at. So, realizable value is also getting captured and we are seeing that it has to be based on that only. But of course, in our case, the resale LAP and all is very less. So, it is that where you will have to look at the realizable value. But that is another thing which has come in. Then and then what we are doing is we have all geo tagging and all those things of property is all there. Plus, the centralized disbursement is also seen that the disbursement is happening as per the stage of construction. So, there is a stage of construction photo has to be uploaded that is getting verified before this. So, that these are the additional checks. Now, of course, there is always a possibility that a little bit of here and there.
- Interviewer:** You talked about if it is in-house then it is better because if you are doing 700 then there is a scope of getting valuation and...?
- Suresh Iyer:** So, most of the people now are doing a mix of both. Like in our case also, an external valuation is a must. If it is in multiple disbursements, then first and last has to be external. But in between, and even if it is a single short case, our own staff also has to do it. So, it is a mix of both.
- Interviewer:** And internal contracts are at that central level?
- Suresh Iyer:** No, field visit will be done by the branch staff, but they have an app for it. They have, they do the geo, comes with geo tagging and they have to do.
- Interviewer:** So, you basically made this a Gruh model?
- Suresh Iyer:** It is that their mobile app has been introduced, yes.
- Interviewer:** The same thing, 4 people at a branch doing business.
- Suresh Iyer:** Yes, those templates have been brought in. Those templates, productivity, monitoring, those are there. Now, we will have to take up those and bring in the improvements to fit into that model. But the benchmarking has been kind of done.
- Interviewer:** See, at the higher tickets and the salary profile, higher that you do, there are some things that you probably do not need to bring from low base, because then you will have more self-employed and lower tickets and all that. What are the things that you feel you need to do more here? Any processes wise?
- Suresh Iyer:** Process wise, actually, we have done a lot of improvements have already been done. Like we have introduced Velocity, we have introduced mobile apps for property visits and residence

verification. We have brought servicing modules we have introduced. We have done this **(Inaudible) 41.44** for title verification and which is there. So, now other than the advocate who is in the LSR, when the loan is finally getting disbursed within that period of 30 days or 45 days depending on the type of property, the external, another advocate will visit the branch, check all the documents and see that the documents that are collected are in line with what the LSR was there. Because today, you say an LSR is, X is going to sell to Y and it is a property which is G plus 1 or whatever and eventually the proper document that is collected is some other property which is only land or something. So, those kind of things to see that this second advocate that firm which will come will verify all the original documents and confirm that this is the same one for which the valuation was done, the same one for which the LSR was originally given and all the documents in the LSR have been collected and are as per the receipt.

Interviewer: So, what you are doing is you are calling a very strong collection?

Suresh Iyer: No, there also we have started, we have introduced a call center for 0, 1 and 2 buckets.

Interviewer: That is what is the meaning of the SMA?

Suresh Iyer: That is also helping, yes. Particularly, we had only for, now we have got for SMA 1, 2 and 0 and we have done that. So, that is also helping.

Interviewer: FoS collection for me is okay, that for people at the branch?

Suresh Iyer: They can do it; they can manage it. But there also what we have done is we have templated the staffing in the sense that depending on the size of the branch, you should have at least this much staff strength. So, we know that even if and that at the productivity will show that there is no major understaffing which is because of which errors are more or there is somebody who is running too fast with less number of staff because of which again errors can be more. So, this when we are matching this, I think we can easily see that. Like in a branch, if it is a branch of say Rs. 275 crore portfolio, then it means that they would be having somewhere in the range of about Rs. 1,200 cases. If 1,200 cases means you need at least 120 cases would be in default 10%. So, which means you need 1 percent for collections. So, that kind of template has been worked out.

Interviewer: So, now the only thing for us to wait for is growth. Is there any self-construction?

Suresh Iyer: Self-construction, I think in the new places where we are geographies, which is our missing, I think self-construction is the main. Because if you are the center of the city, there will be developers. How much of the new construction is self-construction? In our case, 60% is the construction, it is not I mean, but yes, there could be overlap, there could be a construction where a builder is doing it or self-construction and I mean, I guess what you are asking how much is where the customer themselves are doing it?

Interviewer: Yes, sir.

Suresh Iyer: That I do not, this is a mix of that plus builder doing the construction in stage wise construction.

Interviewer: But because our rates are slightly higher, we are not operating in the bank segment. So, necessarily, if we have to have better credit, at the same time, we necessarily need to do the self-construction in which banks tend to be hiring from. So, just wanted to understand what.

Suresh Iyer: So, when we go to the periphery of the cities, that is this kind of thing.

Interviewer: Previously, we used to give that self-construction.

Suresh Iyer: No, self-construction, I do not think we have been giving. That slide number 22 is there, where we are giving AUM, AUM wise.

Interviewer: Correct, split of AUM.

Suresh Iyer: But again, it is construction. So, how much of it is self-construction and how much is the construction by the builder that way. In fact, I do not think we are even separately capturing in our thing, it is going under the same, same bucket it is going.

Interviewer: You must be seeing Repco in the market, right? It is in the same segment as yours or no?

Suresh Iyer: It is.

Interviewer: It is also in the periphery of the large cities.

Suresh Iyer: Yes, but it is a little, ticket size is also a little lower and I do not think they are so aggressive and their pricing is also higher. And their rates are almost average if they are 12.5-13.5.

Interviewer: I think it is around 10. 12 is for LAP.

Interviewer: The landed yield. Landed yield is 12.5.

Interviewer: 12.5. It is more self-employed, they do not assess, but self-employed.

Interviewer: 50-50 is the salaried, that is important. But salary would not be similar.

Interviewer: It would be 60-40.

Suresh Iyer: Rate is a little high, they are not.

Interviewer: So, those property sizes and quality of customer is lower. How do you differentiate? Because they also say it is average.

Suresh Iyer: If it is self-employed, then definitely they would be a little lower.

Interviewer: Salaried is about 48.

Suresh Iyer: Yes, it is around 50-50.

Interviewer: So, what is the guidance on growth? 15%-16% is what is going to happen.

Suresh Iyer: Next year, 15%-16% yes.

Interviewer: Next year, okay. Thank you.

Suresh Iyer: Thank you.